

Consumer Alert

Providing consumers with knowledge to make informed choices and decisions.
Celebrating Over 30 Years of Service



Stop Mortgage Fraud: A Call To Action



One of the fastest growing crimes in America is mortgage fraud. It has become a source for higher borrowing cost and increasing taxes for consumers. The best way to prevent fraud is education and information sharing with the public. The South Carolina Department of Consumer Affairs (SCDCA), in a collaborative effort with the Department of Housing and Urban Development (HUD), state regulators from Georgia, North Carolina, Florida and other partners, recently conducted a symposium bringing greater awareness to this crime.

The symposium Stop Mortgage Fraud: A Call to Action was held on June 22, 2006 in Savannah Georgia at the Savannah International Trade and Convention Center. The symposium was designed to: increase awareness of mortgage fraud by identifying all types of fraud within the single family housing industry, foster relationships with industry partners, and raise consumer awareness on mortgage fraud.

Got Questions?? Ask Consumer Affairs

Think you have been a victim of a scam or just need general information about fraud protection? Then log on to Ask Consumer Affairs, an interactive forum that provides you with great consumer information. At the SCDCA website www.sccconsumer.gov, click on LIVE HELP. A communication specialist is there to assist you with any question you might have.

"You can't stop mortgage fraud if you don't know what it is," said Administrator Brandolyn Thomas Pinkston. The goal of the symposium was to help mortgage professionals better understand the issue of mortgage fraud and help protect consumers from becoming a victim.

SCDCA is firm on preventing mortgage fraud in our state. Recently the Mortgage Asset Research Institute, Inc. (MARI) delivered its Eighth Periodic Mortgage Fraud Case Report to the Mortgage Bankers Association. This document examines the current composition of residential mortgage fraud and misrepresentation in the United States based on reports by participating lenders to MARI. **On the MARI Fraud Index recently released, South Carolina showed the greatest improvement, moving from 1st place being the state with the highest number of cases in 2001, to 19th place in 2005.**

Need Quick Consumer Tips.... Call SCDCA Tele-Tips

**803-734-4215
1-888-734-4215**

Tele-Tip Topics Include:
How to File a Complaint
Frauds & Scams
Debt Collection
Vehicle Information

South Carolina Department of Consumer Affairs
3600 Forest Drive, Suite 300
PO Box 5757
Columbia SC 29250
803.734.4200 or 1.800.922.1594 toll free in SC
www.sccconsumer.gov

About the South Carolina Department of Consumer Affairs:

Established by the Consumer Protection Code in 1974, the South Carolina Department of Consumer Affairs represents the interests of South Carolina consumers. Our mission is to protect consumers from inequities in the marketplace through advocacy, mediation, enforcement and education. For more information, visit www.sccconsumer.gov.

A Look at New Legislation

The 2006 legislative session has ended with the passing of essential legislation for South Carolina consumers and the Department of Consumer Affairs. Legislation action include the regulating of the Discount Medical Plan Organizations, which provides regulation of sellers of discount drug cards and the regulation of Preneed Funeral Contracts.

Regulation of Discount Medical Plan Organizations

In addition to the Medicaid drug cards for senior citizens which are being offered through federal programs, private companies have been selling cards offering discounts on health care services and prescriptions. Currently, South Carolina law provides only for the regulation of sellers of prescription drug discount cards by the Department of Consumer Affairs. The new legislation:

- ⇒ The regulation includes all medical discount plans, including medical, hospital, dental, vision, etc.
- ⇒ Provides detail as to what activities are permitted or forbidden by companies that market the cards and the individuals who sell them.
- ⇒ Requires that a company show that it is authorized to do business in South Carolina and in good standing with the Secretary of State.
- ⇒ Requires a registered company to report to the SCDCA a list of all marketers authorized to sell their discount plan.
- ⇒ Requires that the discounts advertised are those which are actually available to customers.
- ⇒ Requires a seller of a card to give the buyer a list of providers which honor the card in his/her local area.
- ⇒ Requires a bond from the registered company to protect purchasers of discount cards from fraudulent practices.
- ⇒ Allows the Department to deny or revoke a registration for a marketer or representative if it has multiple founded complaints against it.
- ⇒ Exempts certain providers from registration.
- ⇒ Establishes fees for the registration of companies.
- ⇒ Provides for administrative and civil remedies for violations of the law.

Regulation of Preneed Burial Contracts

More and more South Carolina consumers are entering into preneed contracts to purchase funeral and burial goods and services prior to death. Effective July 1, 2006, the oversight for preneed funeral contracts was transferred to the South Carolina Department of Consumer Affairs by the General Assembly. The law requires that:

- ⇒ All contracts must be backed by a trust account with a bank or with an insurance policy issued through a licensed insurance company.
- ⇒ All payments for funeral merchandise must be placed in a trust account in a federally-insured institution until the merchandise is delivered for use as provided in the contract.



As housing prices have soared in recent years, alternative mortgage products such as "interest-only" loans and payment option adjustable rate mortgage (ARM) loans have grown increasingly prevalent. These mortgages could result in many unexpected risks for consumers. To help educate and protect consumers, the next two issues of the Consumer Alert will be devoted to increasing awareness and understanding of different types of mortgages.

For brochures you might find helpful, on topics such as Home Equity Loans and Second Mortgage Financing, contact SCDCA at 803.734.4190 or 1.800.922.1594. Or visit us on the web at www.sconsumer.gov.

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